



Panhandle News

BENEWAH, BONNER, BOUNDARY, KOOTENAI & SHOSHONE COUNTIES

2006: YEAR IN REVIEW

January gets its name from the Roman deity Janus, who has two faces so he could look forward and backward at the same time. So it's only natural that January causes us to review the year that just ended and wonder what will happen in the year that has just begun. The Panhandle can look back at 2006 with great satisfaction. For the third year in a row, it enjoyed strong job growth, creating about 3,900 nonfarm payroll jobs, a 5 percent increase. These job estimates are based on actual data for the first two quarters of 2006 and on samples of employers for the last two quarters of the year.

Benewah County

- It was a pretty good year for the county's 9,400 residents. After stagnating from 1997 through 2003, the county turned around in 2004, and 2006 was the third year in a row of significant growth in nonfarm payroll jobs. It was the second straight year that the county experienced significant population growth. In 2005, retirees discovered Benewah County's hunting and fishing opportunities, beauty, peaceful lifestyle and relatively low cost of living, and the population has risen 2 percent annually the past two years.
- The county entered 2006 on a wave of good fortune. High lumber prices buoyed employment levels at the mills, logging operations and Buell Trucking. Construction rose to an all-time high. The Coeur d'Alene Tribe continued adding jobs at its headquarters and enterprises. The completion of the Trail of the Coeur d'Alenes brought more visitors to the Plummer area. With population growing and incomes rising, retail and service employment also expanded.
- Good fortune brought a problem that Benewah County hadn't experienced for decades — labor shortages. During the last two years, employers have

Panhandle Table 1: Coeur d'Alene MSA Labor Force & Employment Kootenai County

	Nov 2006*	Oct 2006	Nov 2005	% Change From	
				Last Month	Last Year
INDIVIDUALS BY PLACE OF RESIDENCE					
<i>Seasonally Adjusted</i>					
Civilian Labor Force	70,130	69,520	68,060	0.9	3.0
Unemployed	2,550	2,280	2,470	11.8	3.2
% of Labor Force Unemployed	3.6%	3.3%	3.6%		
Total Employment	67,580	67,240	65,590	0.5	3.0
<i>Unadjusted</i>					
Civilian Labor Force	70,220	69,300	68,180	1.3	3.0
Unemployed	2,430	1,800	2,320	35.0	4.7
% of Labor Force Unemployed	3.5%	2.6%	3.4%		
Total Employment	67,790	67,500	65,860	0.4	2.9
JOBS BY PLACE OF WORK					
Nonfarm Payroll Jobs** - NAICS	55,630	56,280	53,540	-1.2	3.9
<i>Goods-Producing Industries</i>	11,200	11,430	10,870	-2.0	3.0
Natural Resources & Mining	510	520	460	-1.9	10.9
Construction	6,080	6,290	5,750	-3.3	5.7
Manufacturing	4,610	4,620	4,660	-0.2	-1.1
Wood Product Manufacturing	930	950	1,060	-2.1	-12.3
Other Manufacturing	3,680	3,670	3,600	0.3	2.2
<i>Service-Providing Industries</i>	44,430	44,850	42,680	-0.9	4.1
Trade, Transportation, & Utilities	10,290	10,170	10,050	1.2	2.4
Wholesale Trade	1,450	1,460	1,360	-0.7	6.6
Retail Trade	7,820	7,670	7,600	2.0	2.9
Transportation, Warehousing & Utilities	1,020	1,040	1,090	-1.9	-6.4
Information	970	980	990	-1.0	-2.0
Financial Activities	2,920	2,930	2,850	-0.3	2.5
Professional & Business Services	6,580	6,520	6,080	0.9	8.2
Educational & Health Services	5,790	5,760	5,440	0.5	6.4
Leisure & Hospitality	6,550	7,240	6,340	-9.5	3.3
Other Services	1,410	1,410	1,410	0.0	0.0
Government Education	3,780	3,780	3,750	0.0	0.8
Government Administration	5,430	5,330	5,090	1.9	6.7
Government Tribes	710	730	680	-2.7	4.4

* Preliminary estimate

**Full- or part-time jobs of people who worked for or received wages in the pay period including the 12th of the month

found it especially difficult to find workers who need to be physically strong. The construction industry has been luring workers from other industries. In April, the county's seasonally adjusted unemployment rate fell to 6 percent, its lowest since 1989. Even high-paying employers such as the mills and Buell Trucking found it difficult to recruit enough qualified workers. The Coeur d'Alene Reservation, which traditionally had unemployment rates approaching 20 percent, now is importing workers from the Coeur d'Alene area and Spokane County. The Coeur d'Alene Tribe employs 500 people at its headquarters, school, medical clinic, farm and enterprises in Benewah County and 720 people at its casino, golf course, inn and restaurants in Worley in

Kootenai County. Many of its employees live off the reservation and come to work on the buses that the tribe runs throughout the reservation and into Coeur d'Alene, Hayden and Post Falls.

- In late April, the county's luck changed from good to fair. The St. Maries River Railroad, the only railroad serving the St. Maries area, was forced to shut down when a bridge collapsed. That increased operating costs for the Potlatch lumber and plywood complex with over 300 workers and the Regulus Stud Mill with a payroll of 100. At the same time, lumber prices began falling. The Random Lengths composite price for framing lumber fell from \$380 per thousand board feet in early January to \$260 by early October. This forced a few shutdowns by Regulus, which also was in the middle of replacing its mill with a state-of-the-art facility. Despite low lumber prices and the troubles caused by lack of rail service, the county's timber industry only lost a handful of jobs between 2005 and 2006.
- There's reason to be cautiously optimistic about Benewah County's lumber industry in 2007. The St. Maries River Railroad should be running again in the next few weeks. Regulus soon will be celebrating the opening of its new, more efficient mill. Lumber prices have increased slightly, rising above \$300 in mid-January. Most industry experts expect relatively low lumber prices to persist through the first half of this year and competition from Canadian lumber to increase significantly.
- Construction activity slowed toward the end of 2006 and is likely to fall somewhat in 2007. Offsetting some of the residential construction slowdown will be the construction of a new \$1.5 million Panhandle Health District in downtown St. Maries. The new 8,000-square-foot building, to be completed in January 2008, will double the space available at the district's current location. Any workers who lose construction jobs are likely to easily find work at mills and other industries that have been desperate for strong workers.
- There will be \$2.2 million in construction at Heyburn State Park, the oldest state park in the Pacific Northwest. The Legislature approved repairs and other work in the 5,500-acre park, including construction of a visitor center.
- Despite its beauty and great recreational opportunities, Benewah County does not benefit from tourism like the other Panhandle counties, although there are some signs that may be changing. Its hotel-motel receipts grew 18.3 percent from \$362,250 in 2005 to \$428,426 in 2006. That's still pales next to Shoshone County's \$3.1 million in receipts. All other Panhandle counties have higher receipts than both Benewah and Shoshone.

- Timber Plus, the economic development organization serving Benewah County, received a grant this fall that allowed its director to work full time rather than half time. Timber Plus, based in St. Maries, is aggressively promoting the county to tourists, working to attract businesses and helping existing businesses expand.
- The county also benefits from the economic development efforts of the Coeur d'Alene Tribe. Last summer, the tribe acquired majority ownership in Berg Integrated Systems and moved it from Coeur d'Alene to Plummer. In January, the company sold its first remote site, integrated Expandable Shelter Platform, to the Oregon National Guard. These structures are used at remote sites by military units, humanitarian aid and disaster relief organizations and other groups conducting exploration and field studies for whatever they need — kitchen and dining space, executive offices, medical facilities, places for showers or latrines or laboratories. Berg Integrated Systems currently employs 27 workers. Most employees are welders and metal fabricators. By the end of the year, the tribe expects it will add 40 to 60 jobs. Eventually, it may employ as many as 250 workers.

Bonner County

- In 2006, Bonner County's population of about 42,000 saw the local economy perform very well, if less spectacularly than the year before. In 2005, Bonner County added about 850 nonfarm payroll jobs. In 2006, it added about 600.
- The manufacturing sector was a star performer, growing 6 percent, or about 120 jobs, to 2,300 despite a slowdown in the wood products industry. Quest Aircraft at the Sandpoint airport generated 60 jobs when it expanded beyond making prototypes to actually producing airplanes. Other expanding manufacturers included Litehouse, the world's leading producer of refrigerated salad dressings in Sandpoint; Thorne Research, a manufacturer of nutritional supplements in Dover; Safetyline, a manufacturer of safety clothing that moved to Priest River in early 2006; Diedrich Roasters, a manufacturer of coffee-roasting equipment in Sandpoint; and Tri-Pro Cedar Products, a manufacturer of decking, fence rails and siding in Oldtown.
- The corporate headquarters of Coldwater Creek, the Sandpoint-based national retailer, added more than 80 jobs in 2006, and Panhandle State Bank, whose new headquarters are under construction in downtown Sandpoint, added a dozen jobs.
- Construction employment in 2006 rose about 18 percent above 2005, which had shattered all previous records. With county population increasing about 1,200 residents a year, the area's discovery by people from throughout the nation over the last four years

and the growing numbers of second homes has kept construction high.

- A busy summer followed a good ski season in the first four months of 2006 and preceded a good start to this 2006/2007 ski season, boosting tourism to its highest level ever. Hotel-motel receipts rose 23.3 percent, from \$12.4 million in 2005 to \$15.2 million in 2006, according to the Idaho Tax Commission.
- Increases in population, tourists and incomes raised demand for retail products and services, leading to job increases in many sectors.
- Three years of exceptional job growth has put pressure on the labor market, and employers are competing with each other to get and keep workers. By October, the county's seasonally adjusted unemployment rate was down to a record low 3.9 percent. Icy roads and exceptionally cool weather and troubles in the lumber industry pushed the unemployment rate up slightly toward the end of the year. Despite the uptick, the county's rate remained below the low national unemployment rate.

Boundary County

- Boundary County's 10,800 residents are a resilient lot, overcoming obstacles to economic success gracefully. And 2006 was another year when Boundary County's economy performed well overall, but a major business closure prevented the county from moving forward significantly. In 2003 it was the closure of the Louisiana-Pacific mill. In 2005 it was the closure of the county's largest employer, the CEDU/Brown schools. In 2006, low lumber prices forced the county's largest manufacturer, the Riley Creek Mill in Moyie Springs, to permanently lay off 70 people. In addition, the flooding of the Kootenai River in June caused millions of dollars in losses for farmers and property owners.
- Fortunately, other sectors were thriving. Idaho Educational Services, which purchased the CEDU schools and is slowly reopening them, has brought about half of the 300 jobs back since it resumed operations in late 2005. The county experienced the highest level of construction activity ever last year. Federal Homeland Security, one of the county's largest employers, maintained employment levels on the border. Nearly 200 people moved into the county, creating job opportunities in retail and services. The Canadian dollar rising to a 15-year high of 90 cents in June had Canadians visiting the county in record numbers. The 2005 expansion and remodel of the Kootenai River Inn and Casino in Bonners Ferry also attracted more visitors. Hotel-motel receipts rose 20.4 percent from \$2.8 million in 2005 to \$3.3 million in 2006.

- The net result was the county's seasonally adjusted unemployment rate averaged about 9 percent in the fourth quarter of 2006, slightly higher than the 8.7 percent it averaged in the fourth quarter of 2005. Despite the troubles in the lumber industry, people able to do jobs requiring strength and endurance remained in high demand. Most of the Riley Creek workers were able to find jobs relatively easily in construction, tree nurseries or other industrial businesses. Unfortunately, many of those jobs are seasonal and do not pay as well as sawmills do.

Kootenai County

- Kootenai County, home to about 133,000 people, continued to be the Panhandle's powerhouse. It generated an estimated 2,800 new nonfarm payroll jobs — growth of 5.5 percent. That wasn't quite the spectacular 6.9 percent annual growth of the previous two years, but it still demonstrated the county's power to generate jobs.
- For the third year in a row, construction was the largest source of new jobs. It accounted for 800 of the 2,800 nonfarm payroll jobs added in 2006. Commercial and industrial construction grew enough to offset a slowdown in the last half of the year in residential construction, especially in homes built by speculators.
- The job growth in 2006 continued to be broad-based. The expansion of the U.S. Bank customer service center, which opened in mid-2005 in Coeur d'Alene, kept call center jobs growing. Dramatic population growth — nearly 5,000 a year — record-shattering tourism and rising incomes fueled expansion in the retail, education and service sectors. Health care added 250 jobs. The ever-growing Kootenai Medical Center in Coeur d'Alene and the new Northern Idaho Advanced Care Hospital in Post Falls were responsible for most of those new jobs.
- The only major sector losing jobs was the wood products industry, which shed another 70 between 2005 and 2006. Given that Stimson Lumber closed its 110-employee Atlas mill in Coeur d'Alene on Dec. 31, 2005, the job loss means the wood products industry held its own in 2006 despite falling lumber prices. Other manufacturers — especially electronics, metals and plastics — added an estimated 100 jobs.
- Good weather, favorable exchange rates and the area's growing reputation helped tourism soar to a new high in 2006. Hotel-motel receipts grew 7.5 percent from \$42.8 million to \$46 million in 2006. Motels, restaurants and the Silverwood Theme Park near Athol added about 470 jobs while the Coeur d'Alene Tribe's casino, inn and golf course near Worley added another 60. This spring, a 100-room Hampton Inn will open near the Riverstone cinemas in Coeur d'Alene.

- In 2006, the Coeur d'Alene Resort celebrated its 20th anniversary, and people throughout the Panhandle contemplated how the resort and its famous golf course with a floating green have transformed the tourism industry, bringing in thousands of people who would never have visited otherwise. The resort doesn't rest on its laurels. In 2006, it renovated many hotel rooms and opened an incredible new spa.
- Last year brought other economic news. Silverwood announced that it will double the size of its enormous water park, which will kick summer tourism up another notch. Cabela's plans to open a 125,000-square-foot sporting goods store in Post Falls by Thanksgiving. Many other retailers, restaurants and hotels are vying to build near Cabela's. Coeur d'Alene was one of the lucky communities to win a Kroc Center. The Salvation Army soon will start construction on a \$65 million community center in Coeur d'Alene, providing an indoor swimming pool, climbing wall, jogging track, classrooms and chapel for community members.
- After two decades of high unemployment, Kootenai County's unemployment rate remained below 4 percent throughout 2006. Most of the county was an employer's market until three years ago. Today it's a job seeker's market. It's become the top priority of the local chambers of commerce to help employers learn how to compete for workers and to increase the skills of the available work force.

Shoshone County

- Shoshone County hasn't enjoyed growth like this since 1981, and it's been nearly a century since it's experienced such broad-based growth.
- High silver prices have brought luster back to the county's silver mines. Shoshone County's mining industry was thrilled when silver prices rose from \$4.85 an ounce in 2003 to \$7.22 an ounce in 2005 so imagine their happiness when silver prices rose above \$12 in April. The mining industry added about 60 jobs in 2006 after 100 over the previous two years. By the end of this year, it could add another 100 jobs if the Sunshine Mine reopens in the fourth quarter. The mine's owner expects to start production then or in the first quarter of 2008. Even more jobs may follow in a couple of years if the Crescent Mine near Kellogg reopens. The Crescent's new owner is considering reopening the mine that closed in 1986. High gold prices also may lead to the opening of some gold mines.
- Given the high level of wages in the mining industry, increased job opportunities at mines is great news for local retailers and service providers. The average annual wage in Shoshone County's mining industry in 2006 was about \$56,000 — more than double the

average wage of \$25,500 for all other industries. With current silver prices, a new profit-sharing agreement should bring even more gains to workers at the Galena Mine near Wallace. U.S. Silver Corp., which purchased the Galena in June, announced in November that its hourly employees will receive 7.5 percent of the profits quarterly when the mine is profitable. Workers at Hecla Mining's Lucky Friday also benefited from high profits. The average bonus per Lucky Friday employee was \$30,000 in 2006.

- The county's tourism industry is performing well and will grow even more with the new indoor water park scheduled to open this fall near the Silver Mountain Resort's gondola base in Kellogg. And it will really take off when Silver Mountain's owner, Eagle Crest, builds an 18-hole golf course nearby, making the resort a four-season destination. Golfers may be teeing off at the Galena Ridge course as early as 2009. In the meantime, great weather conditions are keeping Silver Mountain and the smaller Lookout Pass ski areas busy, and condominiums are going up near the gondola base and throughout the greater Kellogg area. Hotel-motel receipts in Shoshone County grew 8.7 percent from \$2.9 million in 2005 to \$3.1 million in 2006.
- The county's largest employer, Dave Smith Motors, continued to be the world's largest dealer for Dodge, Chrysler and Jeep vehicles. It beat its own previous record by selling 7,024 vehicles in 2006. It also is the Pacific Northwest's largest GM dealer. Dave Smith Motors employs 370 people in Kellogg, where the Internet and the daily shuttles it provides between the Spokane Airport and Kellogg allow it to serve customers throughout the U.S. with its famous one-price, no-hassle system. At any given time, Dave Smith Motors has 2,500 to 2,700 new vehicles plus 250 to 400 used vehicles on lots throughout Kellogg, population 2,300.
- Wal-Mart opened its first store in Shoshone County this January. The Wal-Mart supercenter in Smelterville currently employs about 100 people.
- From December 1981 to June 2004, Shoshone County nearly always had double-digit unemployment rates. But during the last three years, the unemployment rate has edged down, falling to 7.1 percent by 2006, its lowest level since 1981.

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